



Property Casualty Insurers
Association of America

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Montana Economic Affairs Interim Committee Meeting
Study Montana State Fund and options for Workers' Compensation
September 14, 2017

PCI is composed of nearly 1,000 member companies, representing the broadest cross section of insurers of any national trade association. PCI members write \$216 billion in annual premium, 36 percent of the nation's property casualty insurance. Member companies write 36 percent of the private workers compensation market. We appreciate the opportunity to provide comments.

PCI believes that the public and business community is best served by private enterprise competing in a free market. PCI strongly supports open competition with a level playing field for all.

Private companies are generally more flexible than state-run businesses. It is in the interest of private insurers to offer more specialized medical care to injured workers because by providing excellent medical treatment, private insurers get an injured claimant healed and back to work, which ultimately will reduce overall costs. We strongly urge the Economic Affairs Interim Committee to consider privatization of the Montana State Fund.

Privatization is the transfer of assets or services from the tax supported public sector to the competitive market of the private sector.

Privatization has been identified in several other states as the means of improving financial performance and creating a more stable and balanced system for all workers compensation stakeholders.

- ✓ Arizona, Michigan, Nevada, Utah, and West Virginia successfully privatized their respective workers compensation state funds. These states provide excellent models for the Economic Affairs Committee Interim Committee to review and study.
- ✓ There are different paths to privatization including selling to a third party or to convert to a private mutual insurance company.
- ✓ In Michigan, the Accident Fund was sold to Blue Cross/Blue Shield of Michigan. In Nevada and West Virginia, the former state-run insurance funds were converted into private mutual insurance companies.

With privatization, there are many issues that need to be considered including the residual market and guaranty fund participation. However, the most important issue is to maintain a stable workers compensation system for all stakeholders. As you go further down the road on this issue, please view PCI as a resource for you.

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